Treasury Committee

Nikhil Rathi
Chief Executive
Financial Conduct Authority

By email

20 May 2026

Dear Mr Rathi

Motor Finance Compensation Scheme

The Treasury Committee has discussed the FCA's work on a motor finance compensation scheme with you a number of times. Following the FCA's announcement of several legal challenges to its work in this area on 1 May 2026[1], I would welcome your answers to the following questions:

Consequences of the legal challenges

- What is the FCA's current advice to consumers who have complained, or have yet to complain?
- Is there anything about this process, or any participant in the market, that you feel consumers should be alert to? How will the FCA, or firms subject to the compensation scheme, reassure consumers that they have not been forgotten?
- To what extent does the delay raise the risk of consumers suffering fraud? Has the FCA been monitoring for any potential fraud or other economic crime related to this compensation scheme?
- How will the timetable for compensating consumers be affected by these legal challenges?
- What are your expectations of firms who face consumer complaints that would be covered by the compensation scheme in the current period?
- Given the legal challenges, are all consumers' complaints affected, or could some continue to be processed?

Administration

- What, so far, has been the cost to the FCA of its work on a motor finance compensation scheme?

[1] FCA statement on legal challenges to motor finance scheme | FCA

- What are the additional costs to the FCA (for example in legal fees, staff time and any other costs) following the launch of the legal challenges?
- What impact have these legal challenges had on the work of the FCA? For example, have any other workstreams been delayed due to staff being unable to redeploy?

Alternate scenarios

- If those legal challenges result in changes to the compensation scheme, or if it would no longer work in its current form, what would be the potential impact on consumers and firms?
- What discussions has the FCA had with the Financial Ombudsman Service on the potential impact of any such consequential changes to the compensation scheme on its work, and can you set out what that potential impact might be?
- What additional costs, whether in legal fees, staff time, or anything else, might the FCA have to bear in a case where additional work is needed to meet the consequences of the legal challenges?
- Should there be a need for substantial work, what current workstreams at the FCA might be affected?

Conduct of market participants

- How effectively have lenders engaged with the FCA during the development of the motor finance compensation scheme?
- How have claims management firms and/or law firms responded to the motor finance compensation scheme, and the wider potential for compensation?
- What effect has the conduct of all market participants in this area had on consumers?
- Is there a need for greater powers or further regulation in this area?

Powers of the FCA

- What has the FCA so far learnt, from this case, about the powers available to it to conduct a compensation scheme, and how it has used them?
- What lessons might Parliament take from this case, in the FCA's view?

In your answer to this letter, the Committee would welcome any additional commentary or analysis you may wish to provide on the matters raised here, or on any additional matter as you see fit.

We would be grateful if you could respond to this letter by midday 4 June 2026.

Treasury Committee

The Committee recognises that this is a moving situation. The Committee would welcome further updates the FCA can provide, should it be needed, on the questions above.

In line with the Committee's usual practice, I will be placing this letter, and in due course your response, in the public domain.

Yours sincerely

Meg Hillier

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Chair of the Treasury Committee

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